

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Report Highlights:

Post forecasts MY 2018/19 production at 28.7 million 480 lb. bales on 11.9 million hectares. The onset of the monsoon was ahead of schedule and its arrival will encourage timely cotton sowing. Indian cotton prices remain competitive, but global demand for Indian-origin cotton remains subdued. Post's mill consumption forecast is 25 million 480 lb. bales and should make India competitive for yarn and fabric exports.

General Information:

Area and Production:

FAS forecasts MY 2018/19 acreage at 11.9 million hectares, which is 100,000 hectares higher than the USDA official forecast. Post forecasts planting in Northern India to be lower than last year. In addition, Post forecasts the planting in the central India states of Gujarat and Maharashtra to be lower due to prevailing market prices and expected returns from competing crops.

According to the Ministry of Agriculture and Farmers Welfare (MOAFW), cotton acreage in the northern India states of Punjab and Haryana is much lower than last year. High temperatures and a lack of canal and tube well water during the two to three week planting window for cotton has led to lower planting in some growing districts. Farmers use canal water for pre-sowing irrigation and tube well water for subsequent irrigations. On April 19, 2018, the Punjab State Government issued a notification stating that no farmer in the state shall sow nursery of paddy before May 20, and transplant before June 20. FAS forecasts area under cotton to shift towards basmati and paddy once the planting begins in June.

As per available sowing data, cotton planting in Punjab is 35 percent lower than last year, and 26 percent lower than last year in Haryana. At present, all India cotton sowing is 18 percent lower than last year. Planting in central and Southern India will begin as the monsoon progresses.

Press reports indicate that there are issues with the availability of illegal Herbicide Tolerant (HT) and/or insect resistant (IR) cotton in the country. The Genetic Engineering Approval Committee (GEAC) of the Ministry of Environment, Forests, and Climate Change (MOEFCC) has not approved cultivation of many biotech cotton varieties. Reports suggest that state authorities have had to clamp down on seed distribution centers in few cotton-growing regions for the illegal sale and cultivation of unapproved varieties.

The Government of India is yet to announce the Minimum Support Price (MSP) for MY 2018/19.

Monsoon Onset Ahead of Schedule

With the timely onset of the monsoon and prospects for normal rainfall, yields are expected to be higher in most cotton growing states. The Southwest monsoon set in over Kerala three days ahead of schedule on May 29, 2018. The timely onset is expected to prompt timely planting of cotton in central and southern states. As per the Indian Meteorological Department (IMD), the monsoon has advanced into central and coastal India with widespread rainfall activity across the regions. For more details, please refer to the IMD [press release](#) and [IMD updated monsoon activity report](#).

Table 1: India's Kharif 2018 Cotton Sowing Position (area in hectares)

State	2018/19 as of May 31, 2018	2017/18 as of May 31, 2017	Normal Area**	Y-o-Y Change	Change from Normal
Andhra Pradesh	-	-	-	-	-
Telangana	-	-	-	-	-
Gujarat	-	-	-	-	-
Haryana	450,000	608,000	533,800	-26%	-16%
Karnataka	51,000	57,000	55,800	-11%	
Madhya Pradesh	-	-	-	-	-
Maharashtra	-	-	-	-	-
Odisha	-	-	-	-	-
Punjab	248,000	380,000	371,800	-35%	-33%
Rajasthan	227,200	140,000	171,800	62%	32%
Tamil Nadu	2,400	4,800	1,500	-50%	60%
Others	17,200	28,600	23,100	-40%	-26%
All India	995,800	1,218,400	1,157,800	-18%	-14%

Source: Ministry of Agriculture and Farmers Welfare, Government of India,

** Normal Area is the five year average of the area from 2013-2017

MY 2017/18 Cotton Arrivals and Cotton Estimates

The Post estimate for MY 2017/18 production is 29 million 480 lb. bales (37.1 million 170 kg bales/6.3 MMT) which is 500,000 480 lb. bales higher than the USDA official estimate. The higher pace of arrivals seems to indicate that production is much higher than last year.

On May 31, 2018, MY 2017/18 cotton arrivals, as reported by the Cotton Corporation of India (CCI), reached 25.38 million 480 lb. bales (32.51 million 170 kg bales/5.52 MMT) (refer to Table 3). The Cotton Corporation of India (CCI) arrivals data is lower by 7 to 8 percent than the average of private trade estimates. For MY 2017/18, total arrivals as a percentage of the Cotton Advisory Board (CAB) production estimate were 86 percent as of May 31, 2018. The pace of cotton arrivals in MY 2017/18 through May 31 was four percent higher than the previous year.

Table 2: India's Monthly Cotton Arrivals (Million 170 kg bales)

Month	2015/16	2016/17	2017/18
August	0.350	0.173	1.007
September	0.189	0.043	0.440
October	1.237	1.813	2.025
November	3.330	2.846	4.462
December	5.242	4.901	4.688
January	6.219	5.533	6.605
February	6.267	6.048	5.252
March	3.538	6.037	3.913
April	2.550	2.315	3.655
May	1.683	1.837	1.915
June	1.607	1.336	
July	1.311	0.383	

Source: Cotton Corporation of India

Table 3: India's State-wise Progressive Arrivals as of May 31, 2018 (in 170 kg bales)

States	2016/17	2017/18	Difference
Punjab	879,800	937,850	6.60%
Haryana	1,670,900	2,320,000	38.85%
Rajasthan	1,578,600	2,147,400	36.03%
North	4,129,300	5,405,250	30.90%
Gujarat	7,783,300	8,026,490	3.12%
Maharashtra	8,593,900	7,980,600	-7.14%
Madhya Pradesh	2,081,100	1,980,600	-4.83%
Central	18,458,300	17,987,690	-2.55%
Andhra Pradesh	1,786,700	1,815,000	1.58%
Telangana	4,574,900	4,862,160	6.28%
Karnataka	1,583,200	1,640,000	3.59%
Tamil Nadu	354,250	350,000	-1.20%
South	8,299,050	8,667,160	4.44%
Orissa	290,400	355,000	22.25%
Others	156,350	100,000	-36.04%
Total	31,333,400	32,515,100	3.77%
CAB Production Estimate	34,500,000	37,700,000	
Arrivals as % of Prod. Est.	90.8%	86.2%	

Source: Cotton Corporation of India

MOAFW Third Advance Production Estimates for MY 2017/18 Released

On May 16, the Department of Agriculture, Cooperation and Farmers Welfare, MOAFW, published the [third advance estimate](#) of production of commercial crops for the MY 2017/18 season. As per the advance estimates, cotton production is estimated to be 27.22 million 480 lb. bales (34.86 million 170 kg bales/5.92 MMT). The estimate is higher by 2.28 million 170 kg bales than the previous year's production of 25.43 million 480 lb. bales (32.58 million bales/5.53 MMT). For more details refer – [Press release](#).

Consumption:

FAS India forecasts MY 2018/19 consumption at 25 million 480 lb. bales (32 million 170 kg bales/5.44 MMT). Post forecasts higher consumption compared to last year as demand for cotton yarn for export markets improves. Cotton and cotton yarn prices will remain competitive as mills have ample fiber supplies (domestic and imports) to cater to both domestic and export markets.

Post's estimate for MY 2017/18 cotton consumption has been revised to 24 million 480 lb. bales (30.7 million 480 lb. bales/5.22 MMT). The Post estimate is 200,000 480 lb. bales lower than the USDA official estimate and is based on revised textile consumption data (refer to Table 4).

Trade:

FAS Post forecasts MY 2018/19 exports at 4.2 million 480 lb. bales (5.4 million 170 kg bales/ 914,442 MT). Export prospects for MY 2018/19 seem weak, as global demand for cotton from alternate origins is much higher even though India ex-gin prices are cheaper than the Cotlook A Index and a weaker rupees should be encouraging for exports. Cotton yarn export prospects look bright as shipments more than doubled in April 2018. China, Bangladesh and Nepal were the major export destinations for cotton yarn during the month.

The Post MY 2018/19 import forecast is 1.6 million 480 lb. bales (2 million 170 kg bales/ 348,359 MT). Post anticipates imports to remain strong as mills import for processing and re-export to cover yarn and fabric export commitments.

Stocks:

Cotton stocks held by mills in March were lower (1 percent) than last year, but consistent with the marketing year pattern as mills build up inventory during the latter part of the season when arrivals tend to slow down. Trade sources indicate that mill coverage is between 45-60 days. The cumulative yarn stock position for Aug-Mar in MY 2017/18 is only 3 percent lower than same period of MY 2016/17. On a monthly basis, the cotton yarn stocks in February and March have remained 12 percent lower than last year as mills maintain low inventories.

Policy:

Merchandise Export Incentive Scheme Extended Indefinitely

On May 11, 2018, the Ministry of Commerce and Industry issued a [public notice 07/2015-2020](#) stating that the enhanced rates under the Merchandise Export Incentive Scheme (MEIS) set to expire on June 30, 2018, will be extended indefinitely. For more details on the scheme, please refer to [IN7138](#).

Relaxation of Cabotage Restrictions to Facilitate Interstate Fiber Movement

On March 21 2018, the Ministry of Shipping issued General Order [No.1](#) and [No.2](#) of 2018 relaxing the

restrictions for export-import loaded and empty containers on foreign container ships to operate on local routes to facilitate transshipment. Earlier, under India's Cabotage law, only Indian-registered ships were allowed to operate on local routes for carrying cargo. A number of agricultural commodities have been included as part of the coastal movement to support and enhance farmers income. Cotton fiber (HS Code 5201 to 5203) has been included in this list of agricultural commodities.

Trade sources indicate that the movement of cotton from northern growing regions to spinning mills in southern states will become cheaper as foreign flag vessels will be able to offer competitive rates as a large number of empty foreign containers get transported between the ports in Gujarat and Tamil Nadu. For more details, refer [Press Release](#).

Production, Supply and Demand Data Statistics :

Cotton	2016/2017		2017/2018		2018/2019	
Market Begin Year	Aug 2016		Aug 2017		Aug 2018	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	-	-	-	-	-	-
Area Harvested	10,850	10,850	12,300	12,400	11,800	11,900
Beginning Stocks	9,944	9,944	11,130	11,130	12,630	13,230
Production	27,000	27,000	28,500	29,000	28,500	28,700
Imports	2,736	2,736	1,700	1,500	1,500	1,600
MY Imports from U.S.	-	-	-	-	-	-
Total Supply	39,680	39,680	41,330	41,630	42,630	43,530
Exports	4,550	4,550	4,500	4,400	4,250	4,200
Use	24,000	24,000	24,200	24,000	25,200	25,000
Loss	-	-	-	-	-	-
Total Dom. Cons.	24,000	24,000	24,200	24,000	25,200	25,000
Ending Stocks	11,130	11,130	12,630	13,230	13,180	14,330
Total Distribution	39,680	39,680	41,330	41,630	42,630	43,530
Stock to Use %	39	39	44	47	45	49
Yield	542	542	504	509	526	525

(1000 HA) ,1000 480 lb. Bales ,(PERCENT) ,(KG/HA)

Table 4: India's Cotton Consumption (Mill & Small Sector Units) By Month
(Figures in Million 480 lb. Bales)

Mon th	2009/1 0	2010/1 1	2011/1 2	2012/1 3	2013/ 14	2014/ 15	2015/ 16	2016/ 17	2017/ 18
Aug	1.45 2	1.69 7	1.45 5	1.72 3	1.892	1.910	2.019	1.903	1.809
Sep	1.42 8	1.67 3	1.69 4	1.67 6	1.851	2.015	1.919	1.807	1.740
Oct	1.41 5	1.72 5	1.38 7	1.70 6	1.876	1.886	1.929	1.680	1.734
Nov	1.44 2	1.64 7	1.43 2	1.64 7	1.793	1.955	1.822	1.801	1.815
Dec	1.52 2	1.76 2	1.57 2	1.76 8	1.965	2.022	1.990	1.920	1.958
Jan	1.52 6	1.72 6	1.58 7	1.81 9	1.967	2.012	1.972	1.954	1.940
Feb	1.46 9	1.58 0	1.58 5	1.73 7	1.814	1.919	1.924	1.908	
Mar	1.56 2	1.69 9	1.59 1	1.84 3	1.957	2.044	2.000	2.022	
Apr	1.60 3	1.57 5	1.58 6	1.81 3	1.898	1.997	1.949	1.938	
May	1.63 4	1.45 5	1.66 2	1.78 4	1.904	2.000	1.982	1.941	
Jun	1.61 7	1.42 3	1.65 3	1.75 8	1.882	2.000	1.982	1.918	
Jul	1.72 6	1.48 4	1.72 8	1.88 3	1.916	1.996	1.953	1.927	
Loss *	1.32 7	1.04 5	0.39 0	0.61 1	0.493	0.390	1.405	1.366	1.484
Tota l	19.7 23	20.4 91	19.3 23	21.7 67	23.20 8	24.1 46	24.8 47	24.0 85	

Source: Figures in Bold are Provisional

*Loss estimate from the Cotton Advisory Board added into total consumption

Source: Textile Commissioner's Office, GOI

Table 5. India: Monthly Cotton Stocks held by the Textile Sector (Million 480 lb. Bales)

Month	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18 (P)
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Aug	3.345	2.321	2.704	2.821	2.733	2.763	2.676	2.497
Sep	2.562	1.864	2.309	2.272	2.381	2.312	2.238	2.613
Oct	2.058	1.632	2.045	1.954	2.147	2.219	2.163	2.068
Nov	2.142	1.485	2.327	2.016	3.019	2.871	2.134	2.709
Dec	2.754	1.884	2.954	2.692	3.164	3.496	2.683	3.738
Jan	4.062	2.421	3.682	3.404	3.593	3.950	3.133	3.727
Feb	4.590	2.992	4.133	3.778	4.058	4.489	3.682	3.839
Mar	4.814	3.283	4.395	4.214	4.166	4.670	4.080	4.027
Apr	4.522	3.675	4.510	4.319	4.158	4.425	4.158	
May	4.084	3.733	3.914	4.239	3.894	4.014	3.950	
Jun	3.472	3.515	3.499	3.810	3.650	3.684	3.740	
Jul	2.961	3.158	3.282	3.284	3.094	3.182	3.520	

Source: Textile Commissioner, Ministry of Textiles, Government of India

Table 6a. India: Estimate of 2016/17 Cotton Exports

	170 kg	Metric Tons	480 lb.
August Exports 1\	67,069	11,402	52,368
September Exports 1\	66,389	11,286	51,837
October Exports 1\	51,351	8,730	40,095
November Exports 1\	619,215	105,267	483,486
December Exports 1\	1,098,171	186,689	857,456
January Exports 1\	1,088,024	184,964	849,534
February Exports 1\	826,671	140,534	645,468
March Exports 1\	694,865	118,127	542,553
April Exports 1\	442,278	75,187	345,332
May Exports 1\	446,694	75,938	348,780
June Exports 1\	293,435	49,884	229,115
July Exports 1\	133,018	22,613	103,861
Total Aug-Jul	5,827,180	990,621	4,549,884

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

Table 6b. India: Estimate of 2017/18 Cotton Exports

	170 kg	Metric Tons	480 lb.
August Exports 1\	86,664	14,733	67,667
September Exports 1\	78,476	13,341	61,274
October Exports 1\	67,155	11,416	52,435
November Exports 1\	547,000	92,990	427,100
December Exports 1\	1,030,687	175,217	804,764

January Exports 1\	934,086	158,795	729,338
February Exports 1\	829,403	140,999	647,601
March Exports 1\	887,481	150,872	692,948
April Exports 2\	836,000	142,120	652,752
Preliminary Total	5,296,951	900,482	4,135,879

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

2\ FAS Analysis

Table 7a. India: Estimate of 2016/17 Cotton Imports

	170 kg	Metric Tons	480 lb.
August Imports 1\	452,847	76,984	353,585
September Imports 1\	812,071	138,052	634,068
October Imports 1\	379,741	64,556	296,503
November Imports 1\	162,424	27,612	126,821
December Imports 1\	109,000	18,530	85,108
January Imports 1\	71,247	12,112	55,630
February Imports 1\	74,918	12,736	58,496
March Imports 1\	137,000	23,290	106,970
April Imports 1\	160,459	27,278	125,287
May Imports 1\	312,576	53,138	244,061
June Imports 1\	444,529	75,570	347,090
July Imports 1\	387,071	65,802	302,226
Preliminary Total	3,503,882	595,660	2,735,845

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

Table 7b. India: Estimate of 2017/18 Cotton Imports

	170 kg	Metric Tons	480 lb.
August Imports 1\	438,406	74,529	342,309
September Imports 1\	416,553	70,814	325,246
October Imports 1\	85,606	14,553	66,841
November Imports 1\	46,761	7,949	36,511
December Imports 1\	59,806	10,167	46,697

January Imports 1\	72,186	12,272	56,363
February Imports 1\	99,149	16,855	77,416
March Imports 1\	118,180	20,091	92,276
April Imports 2\	200,000	34,000	156,161
Preliminary Total	1,536,647	261,230	1,199,820

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

2\ FAS Analysis

Table 8: India's Cotton Yarn* Exports by Month
(Figures in thousand Metric Tons)

Month/Year	2009-10	2010-11	2011-12	2012-13	2013-14	2014/15	2015/16	2016-17	2017/18
Aug	46	63	58	93	113	94	117	66	79
Sep	46	57	100	65	108	98	112	77	99
Oct	56	57	48	76	119	101	106	76	98
Nov	49	77	58	87	106	125	105	103	111
Dec	55	79	66	108	113	125	115	173	116
Jan	53	31	75	99	131	113	104	132	87
Feb	62	2	63	102	108	119	100	107	94
Mar	73	68	66	107	117	122	112	89	120
Apr	72	51	88	80	94	104	105	66	122
May	65	47	94	95	93	99	94	65	
Jun	60	50	78	103	76	103	92	78	
Jul	60	62	107	111	87	118	75	71	
TOTAL	696	646	900	1,126	1,266	1,321	1,237	1,102	

*HS code: 5204, 5205 and 5207

Source: Directorate General of Foreign Trade, Ministry of Commerce

Table 9: India's Cotton Fabric* Exports by Month
(Figures in thousand square meters)

Month/Y	2009-	2010-	2011-	2012-	2013-	2014/1	2015/1	2016/	2017/
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ear	10	11	12	13	14	5	6	17	18
Aug	48,80 5	160,2 75	69,84 7	77,09 3	78,908	92,491	101,47 3	114,07 1	107,42 7
Sep	45,25 6	54,09 1	78,88 1	72,82 7	101,01 7	98,636	103,97 4	104,66 1	123,56 3
Oct	46,08 0	58,39 3	57,31 7	70,55 3	101,32 7	108,18 2	117,80 1	105,40 4	109,53 4
Nov	41,36 1	44,89 6	59,58 4	66,08 4	85,897	103,47 1	95,082	87,723	118,18 7
Dec	46,32 4	58,80 6	84,69 7	75,41 2	100,33 5	105,33 5	120,59 8	111,89 4	132,58 4
Jan	51,37 4	69,05 2	79,76 2	74,00 8	91,169	93,192	116,65 6	107,51 2	125,17 1
Feb	47,95 0	70,70 9	80,21 9	65,14 1	87,377	96,586	107,48 7	115,13 1	112,63 7
Mar	51,34 4	61,28 6	80,23 3	75,32 9	98,696	105,16 9	120,46 1	112,03 3	
Apr	41,96 7	74,80 7	69,01 1	65,68 3	88,629	86,833	109,55 9	94,104	
May	44,63 4	68,25 9	72,02 1	65,46 9	81,581	103,44 3	103,40 1	89,045	
Jun	45,59 7	65,89 9	83,71 6	67,76 0	94,572	103,90 9	97,017	93,362	
Jul	53,52 1	82,83 5	68,76 7	78,54 7	87,284	97,115	98,890	94,340	
TOTAL	564,2 13	869,3 09	884,0 55	853,9 06	1,095,9 04	1,194,3 61	1,292,3 97	1,229,2 79	

***HS code:** 5208 and 5209

Source: Directorate General of Foreign Trade, Ministry of Commerce